

ASSEMBLY BILL

No. 2022

Introduced by Assembly Member Gaines

February 17, 2010

An act to amend Sections 10102 and 10103.5 of the Insurance Code, relating to property insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2022, as introduced, Gaines. Property insurance: residential disclosure.

Existing law requires that residential property insurance policies do not become effective unless the named insured is provided with a copy of the California Residential Property Insurance Disclosure which sets forth a description of types of coverage, such as actual cash value coverage, guaranteed replacement cost coverage, and related coverage, as specified. Existing law also requires every California Residential Property Insurance Disclosure be accompanied by a California Residential Property Insurance Bill of Rights.

This bill would revise the mandatory language of the California Residential Property Insurance Disclosure to simplify and rearrange the description of types of coverage, and to include additional information concerning insurance limits. It would also revise and simplify the California Residential Property Insurance Bill of Rights. It would require both disclosures to be in at least 12-point type.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 10102 of the Insurance Code is amended to read:

10102. (a) The disclosure required by Section 10101 shall be in no less than 10-point typeface and shall be provided prior to or concurrent with, the application for a policy of residential property insurance. In the event that an application is made by telephone, an insurer that mails a copy of the disclosure within three business days shall be in compliance with this section. For policies issued on or after July 1, 1993, the agent or insurer shall obtain the applicant's signature acknowledging receipt of the disclosure form within 60 days of the date of the application. When the insurer or agent establishes delivery of the disclosure form by obtaining the signature of the applicant or insured, or when an insurer or agent provides the applicant with the disclosure form and the applicant does not return a signed acknowledgment of receipt within 60 days of the date it was provided, there shall be a conclusive presumption that the insurer or agent has complied with the disclosure requirement of this chapter. The insurer or agent shall have the burden of demonstrating in accordance with California Rules of Evidence that the disclosure was provided to the applicant or insured. A signature shall not be required at the time of renewal.

If the disclosure is mailed to the named insured or applicant, it shall be mailed to the mailing address shown on the policy of residential property insurance or to the address requested by the applicant. First-class mail shall be deemed adequate for proof of mailing. The insurer shall have the burden of demonstrating in accordance with California Rules of Evidence that the disclosure was mailed to the applicant or insured.

The disclosure shall contain the following language *in no less than 12-point type*:

**CALIFORNIA RESIDENTIAL PROPERTY INSURANCE
DISCLOSURE**

~~This disclosure is required by California law (Section 10102 of the Insurance Code). It describes the principal forms of insurance coverage in California for residential dwellings. It also identifies the form of dwelling coverage you have purchased or selected.~~

1 ~~This disclosure form contains only a general description of~~
2 ~~coverages and is not part of your residential property insurance~~
3 ~~policy. Only the specific provisions of your policy will determine~~
4 ~~whether a particular loss is covered and, if so, the amount payable.~~
5 ~~Regardless of which type of coverage you purchase, your policy~~
6 ~~may exclude or limit certain risks.~~

7 ~~READ YOUR POLICY CAREFULLY. If you do not understand~~
8 ~~any part of it or have questions about what it covers, contact your~~
9 ~~insurance agent or company. You may also call the California~~
10 ~~Department of Insurance consumer information line at:~~
11 ~~1-800-927-4357.~~

12 ~~The cost to rebuild your home may be very different from the~~
13 ~~market value of your home since reconstruction is based primarily~~
14 ~~on the cost of labor and materials. Many factors can affect the cost~~
15 ~~to rebuild your home, including the size of your home, the type of~~
16 ~~construction, and any unique features. Please review the following~~
17 ~~coverages carefully. If you have questions regarding the level of~~
18 ~~coverage in your policy, please contact your insurance agent or~~
19 ~~company. Additional coverage may be available for an additional~~
20 ~~premium.~~

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22 ~~*****~~

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24 ~~NOTICE OF INCOMPLETE TEXT: The Residential Dwellings~~
25 ~~Coverage~~

26 ~~disclosure form appears in the hard-copy publication of the~~
27 ~~chaptered bill. See Sec. 1 of Chapter 137, Statutes of 2006.~~

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1 *PRINTER PLEASE NOTE: TIP-IN MATERIAL TO BE*
2 *INSERTED*

1 (b) The agent or insurer shall indicate on the disclosure form
2 ~~which category of coverage~~ *coverages* the applicant or insured has
3 selected or purchased.

4 (c) The disclosure statement may contain additional provisions
5 ~~not in conflict with or in derogation of~~ *conflicting with, annulling,*
6 *or detracting from* the foregoing.

7 (d) Following the issuance of the policy of residential property
8 insurance, the insurer shall provide the disclosure statement to the
9 insured on an every-other-year basis at the time of renewal. The
10 disclosure required by this section may be transmitted with the
11 material required by Section 10086.1.

12 (e) No policy of residential property insurance may be initially
13 issued on and after January 1, 1993, as guaranteed replacement
14 cost coverage if it contains any maximum limitation of coverage
15 based on any set dollar limits, percentage amounts, construction
16 cost limits, indexing, or any other preset maximum limitation for
17 covered damage to the insured dwelling. The limitations referred
18 to in this section are solely applicable to dwelling structure
19 coverages. Endorsements covering additional risks to the insurer's
20 dwelling structure coverage may have internal limits as long as
21 those endorsements are not called guaranteed replacement cost
22 coverage.

23 (f) On and after July 1, 1993, no policy of residential property
24 insurance may be renewed as guaranteed replacement cost coverage
25 if it contains any maximum limitation of coverage based on any
26 set dollar limits, percentage amounts, construction cost limits,
27 indexing, or any other preset maximum limitation for covered
28 damage to the insured dwelling. The limitations referred to in this
29 section are solely applicable to dwelling structure coverages.
30 Endorsements covering additional risks to the insurer's dwelling
31 structure coverage may have internal limits as long as those
32 endorsements are not called guaranteed replacement cost coverage.

33 (g) Coverage provided for building code upgrades by a policy
34 of residential property insurance shall be applicable to building
35 codes, ordinances, standards, or laws only to the extent that those
36 codes, ordinances, standards, or laws do not impose stricter
37 standards on the property on the basis of the level of insurance
38 coverage applicable to the property.

39 (h) The disclosure required by Section 10101 shall also be
40 provided to the mortgagor in the event that a policy is forced placed

1 by an insurer at the request of a mortgagee. In ~~such~~ *those* cases,
2 neither the insurer nor the mortgagee shall be required to obtain a
3 signature from the mortgagor. No disclosure shall be required to
4 be provided with respect to blanket policies issued to a mortgagee,
5 and designed to provide interim coverage for losses occurring prior
6 to the mortgagee obtaining knowledge of the lapse of the policy
7 and prior to placement of a policy on behalf of the mortgagor.

8 ~~(i) On and after July 1, 1994, insurers shall add to the disclosure,~~
9 ~~in no less than 10-point type the following statement:~~

10 ~~This disclosure form does not explain the types of contents~~
11 ~~coverage (furniture, clothing, etc.) provided by your policy. Some~~
12 ~~policies do not replace contents with new items, but instead, only~~
13 ~~pay for the current market value of an item. If you have any~~
14 ~~questions, contact your insurer or agent.~~

15 ~~(j) No later than December 1, 2005, the commissioner shall~~
16 ~~report to the Governor and the Legislature on the status of the~~
17 ~~issues regarding residential property insurance and the effectiveness~~
18 ~~of the California Residential Property Insurance Disclosure.~~

19 SEC. 2. Section 10103.5 of the Insurance Code is amended to
20 read:

21 10103.5. (a) Every California Residential Property Insurance
22 Disclosure shall be accompanied by a California Residential
23 Property Insurance Bill of Rights. If the insurer provides the
24 insured with an electronic copy of a policy, the bill of rights may
25 also be transmitted electronically.

26 ~~(b) The California Residential Property Insurance Bill of Rights~~
27 ~~shall be plainly printed in no less than 10-point type. The bill of~~
28 ~~rights shall contain the following:~~

29
30 “California Residential Property Insurance Bill of Rights

31
32 The largest single investment most consumers make is their home
33 and related property. In order to best protect these assets, it is wise
34 for consumers to understand the homeowner’s insurance market.
35 Consumers should consider the following:

36 ~~—Read your policy carefully and understand the coverage and~~
37 ~~limits provided. Homeowner’s insurance policies contain~~
38 ~~sublimits for various coverages such as personal property,~~
39 ~~debris removal, additional living expense, detached fences,~~
40 ~~garages, etc.~~

1 —Keep accurate records of renovations and improvements to
2 the structure of your home, as it could affect your need to
3 increase your coverage.

4 —Maintaining a list of all personal property, pictures, and
5 video equipment may help in the case of a loss. The list should
6 be stored away from your home.

7 —Comparison shop for insurance, as not all policies are the
8 same and coverage and prices vary.

9 —Take time to determine the cost to rebuild or replace your
10 property in today's market. You can seek an independent
11 evaluation of this cost.

12 —You may select a licensed contractor or vendor to repair,
13 replace, or rebuild damaged property covered by the insurance
14 policy.

15 —An agent or insurance company may help you establish
16 policy limits that are adequate to rebuild your home.

17 —Once the policy is in force, contact your agent or insurance
18 company immediately if you believe your policy limits may
19 be inadequate.

20 A consumer is entitled to receive information regarding
21 homeowner's insurance. The following is a limited overview of
22 information that your insurance company can provide:

23 —The California Residential Property Insurance Disclosure.

24 —An explanation of how your policy limits were established.

25 —The insurance company's customer service telephone number
26 for underwriting, rating, and claims inquiries.

27 —An explanation for any cancellation or nonrenewal of your
28 policy.

29 —A copy of your policy.

30 —The toll-free telephone number and Internet address for
31 reporting complaints and concerns about homeowner's
32 insurance issues to the department's consumer services unit.

33 —In the event of a claim, an itemized, written scope of loss
34 report prepared by the insurer or its adjuster within a
35 reasonable time period.

36 —In the event of a claim, notification of a consumer's rights
37 with respect to the appraisal process for resolving claims
38 disputes.

39 —In the event of a claim, a copy of the Unfair Practices Act
40 and a copy of the Fair Claims Practices Regulations.

1 The information provided herein is not all inclusive and does not
2 negate or preempt existing California law. If you have any concerns
3 or questions, the officers at our Consumer Hotline are there to help
4 you. Please call them at 1-800-927-HELP (4357) or contact us at
5 www.insurance.ca.gov.”

6 (b) *The California Residential Property Insurance Bill of Rights*
7 *shall be plainly prepared in no less than 12-point type. The Bill*
8 *of Rights shall contain the following:*

9
10 “*California Residential Property Insurance Bill of Rights*

11
12 *INSURANCE COMPANY RESPONSIBILITIES:*

13 *As a Residential Property Insurance policyholder, you have the right to:*

- 14 • *The insurance company’s customer service telephone number for*
15 *underwriting, rating, and claims inquiries.*
- 16 • *A written explanation for any cancellation or nonrenewal of your policy.*
- 17 • *A copy of the insurance policy.*
- 18 • *An explanation of how your policy limits were established.*
- 19 • *In the event of a claim, an itemized, written scope of loss report prepared*
20 *by the insurer or its adjuster within a reasonable time period.*
- 21 • *In the event of a claim, a copy of the Unfair Practices Act and a copy of*
22 *the Fair Claims Settlement Practices Regulations.*
- 23 • *Select a licensed contractor or vendor to repair, replace, or rebuild*
24 *damaged property covered by the insurance policy.*
- 25 • *In the event of a claim, notification of a consumer’s rights with respect to*
26 *the appraisal process for resolving claims disputes.*
- 27 • *An offer of coverage and premium quote for earthquake coverage.*

28
29 *The information provided therein is not all inclusive and does not negate or*
30 *preempt existing California law.”*

31
32 (c) (1) The bill of rights shall be distributed by all insurers
33 licensed to sell residential property insurance in this state.

34 (2) (A) If the insurer under a personal lines residential property
35 insurance policy reports claims history or loss experience of
36 insureds under those policies to an insurance-support organization,
37 the insurer shall include the following disclosure in the California
38 Residential Property Insurance Bill of Rights:

1 “This insurer reports claim information to one or more claims
2 information databases. The claim information is used to furnish
3 loss history reports to insurers. If you are interested in obtaining
4 a report from a claims information database, you may do so by
5 contacting:
6 (Insert the name, toll-free telephone number, and, if applicable,
7 Internet Web site address of each claims information database to
8 which the insurer reports the information covered by this section)”
9
10 ~~(B) This paragraph shall become operative on July 1, 2006.~~